

NATIONAL RECOVERY ADMINISTRATION

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CODE OF FAIR COMPETITION

FOR THE

SHIPBUILDING AND  
SHIP REPAIR INDUSTRY

AS APPROVED ON JULY 26, 1933

BY

PRESIDENT ROOSEVELT



1. Executive Order
2. Report of hearing submitted to President Roosevelt  
by National Recovery Administrator Johnson
3. Text of Code as approved

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UNITED STATES  
GOVERNMENT PRINTING OFFICE  
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## EXECUTIVE ORDER

JULY 26, 1933.

A Code of Fair Competition for the Shipbuilding and Shiprepairing Industry, having been heretofore submitted to the National Recovery Administration, hearings having been held thereon, and an Amended Code of Fair Competition having been submitted on July 25, 1933, said original Code and said Amended Code having been submitted by duly qualified and authorized representatives of the Industry complying with the Statutory requirements as representing eighty percent of the capacity of the Industry, and said Code being in full compliance with all pertinent provisions of the National Industrial Recovery Act, Now Therefore

Pursuant to the authority vested in me by Title I of the National Industrial Recovery Act, approved June 16, 1933, on the report and recommendation of the Administrator appointed by me under the authority of said Act, and on consideration:

It is ordered that the said Code of Fair Competition for the Shipbuilding and Shiprepairing Industry, as amended and submitted on July 25, 1933, is hereby approved.

Sgd. FRANKLIN D. ROOSEVELT.

Approval recommended:

HUGH S. JOHNSON.



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# NATIONAL RECOVERY ADMINISTRATION

JULY 25, 1933.

To the President:

## I—INTRODUCTION

This is a report of the hearing on the Code of Fair Competition and Trade Practices for the Shipbuilding and Shiprepairing Industry in the United States conducted in Washington on July 19, 20, and 21, 1933, according to the provisions of the National Industrial Recovery Act.

The following exhibits are included or attached—

- No. 1. Final Code submitted.
- No. 2. Notice of hearing.
- No. 3. Statement of procedure.
- No. 4. Transcript of the record.
- No. 5. List of the witnesses.

In accordance with the customary procedure, every person who filed an appearance was freely heard in public, and all statutory and regulatory requirements were complied with.

The Code which is attached was presented by duly qualified and authorized representatives of the industry, complying with the statutory requirements, as representing 80% of the capacity of the industry.

## II—CHARACTER AND THE PRESENT CONDITION OF THE INDUSTRY

The American Shipbuilding Industry is characterized by a great overcapacity of physical facilities which are a heritage of the War.

Labor in this industry may be characterized as highly paid in comparison with that of other manufacturing industries. Furthermore, its labor is mainly semiskilled and skilled and the proportion of common labor is smaller than in many other industries.

The present average conditions of employment and the present levels of pay rolls are brought out clearly in the following indices taken from the records of the Bureau of Labor statistics.

|                       | Average |       |      |      |      |
|-----------------------|---------|-------|------|------|------|
|                       | 1929    | 1930  | 1931 | 1932 | 1933 |
| Employment index..... | 100.0   | 105.9 | 81.9 | 65.2 | 47.4 |
| Pay-roll index.....   | 100.0   | 103.4 | 70.0 | 47.8 | 29.6 |

It is estimated by the representatives of this industry that with the new Naval Shipbuilding Program and working under the restrictions of hours of employment contained in this Code, total employment in the industry will be increased materially above the highest levels of employment reached since the War, raising the employment from its present levels of about 15,000 men to approximately 60,000.

### III—DISCUSSION OF CODE

Following is a brief discussion of each of the sections of the proposed Code. In the event that there was no objection raised to these sections in the Hearings no comment is offered thereon.

1. *Definition of Terms.*—No objections were offered in this section.

2. *General Regulations.*—The Labor representatives requested a modification of the Statutory regulations regarding the relationship between the employer and the employee covered in this Section of the Code.

Our counsel advises me that the regulations in the Code are adequate and directly in accordance with the Act.

3. *Regulations of Hours of Work*—(a) Merchant Shipbuilding and Ship-repairing.—No employee on an hourly rate may work in excess of an average of thirty-six (36) hours per week, based upon a six (6) months period; nor more than forty (40) hours during any one week. If any employee on an hourly rate works in excess of eight (8) hours in any one day, the wage paid will be at the rate of not less than one and one half ( $1\frac{1}{2}$ ) times the regular hourly rate, but otherwise according to the prevailing custom in each port, for such time as may be in excess of eight (8) hours.

(b) Shipbuilding for the United States Government.—No employee on an hourly rate may work in excess of thirty-two (32) hours per week. If any employee on an hourly rate works in excess of eight (8) hours in any one day, the wage paid will be at the rate of not less than one and one half ( $1\frac{1}{2}$ ) times the regular hourly rate, but otherwise according to the prevailing custom in each port, for such time as may be in excess of eight (8) hours.

(c) Exceptions.—For a period of six (6) months exception may be made in the number of hours of employment for the employees of the Shipbuilders engaged in designing, engineering, and in mold loft and order departments and such others as are necessary for the preparation of plans and ordering of materials to start work on new ship construction, but in no event shall the number of hours worked be in excess of forty-eight (48) hours per week, and in no case or class of cases not approved by the Planning and Fair Practice Committee provided for in Section (8).

### 4—MINIMUM WAGE RATES

(a) The minimum pay for labor, except apprentices, learners, casual and incidental labor, shall be at the rate of forty-five (45) cents per hour in the North and thirty-five (35) cents per hour in the South.

(1) Apprentices and learners shall not be paid less than the minimum wage after two (2) years of employment.

(2) Casual and incidental labor to be paid not less than eighty (80) percent of the minimum wage, the total number of such casual and incidental employees in any calendar month not to exceed eight (8) percent of the total number of skilled and semiskilled employees during the same period.

(b) The amount of difference existing prior to July 1, 1933, between the wage rates paid various classes of employees receiving more than the established minimum wage shall not be decreased. In no event

shall any employer pay any employee a wage rate which will yield a less wage for a work week of thirty-six (36) hours than such employee was receiving for the same class of work for a forty (40) hour week prior to July 1, 1933. It is understood that there shall be no difference between hourly wage rates on commercial work and on naval work, for the same class of labor.

(c) It shall be a function of the Planning and Fair Practice Agency provided for in Paragraph 8 (a) of this Code to observe the operation of these provisions and recommend such further provisions as experience may indicate to be appropriate to effectuate their purpose.

The original Shipbuilding Code stipulated a forty (40) hour week with a minimum wage for common labor at the rate of forty (40) cents per hour in the North and thirty-five (35) cents per hour in the South.

The provisions affecting the wage scale, the minimum hourly wage rate, the weekly work hours, the exemptions in Parts 3 and 4 of the Code and the differential in wages between the North and South were bitterly contested by the Labor group.

Representatives of fourteen Labor Unions unanimously advocated a thirty (30) hour week and an eighty-three and one third (83⅓) cents minimum hourly rate and additional provisions as follows:

1. A thirty (30) hour week.
2. Abolition of overtime except for maintenance purposes. Double wage for such overtime.
3. Minimum wage of twenty-five (25) dollars per week. Maintenance of present weekly earnings for thirty (30) hours work for higher wage groups.
4. Abolition of subcontracting.
5. Temporary prohibition of employment of new apprentices.

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*At subsequent negotiations the sponsors of the Code and the labor representatives were definitely agreed upon the provisions for minimum wages, maximum hours, and the exceptions as stated in the final Code attached to this memorandum.*

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A representative of the Ship Owners Association, whose membership consists of 90% of the large merchant ship operating companies in the United States, testified in favor of the employment provisions of the Code, and emphasized the effect which a radical advance in ship-building and ship-repairing costs would have on the placing of contracts for new ships and repairing, which would add a further capital charge to all American ships in competition with foreign shipping.

Slight modification in hours were also requested by the Great Lakes Division of the industry and two individual Southern yards requested a wider differential than five (5) cents an hour between the North and the South originally proposed.

The Naval Construction Program covered in Title 2 of the N.I.R.A. is a primary factor in considering the Shipbuilding Code. From a total appropriation of \$238,000,000, contracts amounting to \$118,000,000 to be executed during the next three years are to be placed by the Navy Department in private yards. The Navy Department.

and the Naval Ship Construction Department both testified in favor of the original maximum hours and minimum wage rates requested by the industry because of their effect upon the costs and the deliveries of the ships to be ordered and the ships at present under construction for the Navy in both private and Navy Yards.

#### 6—ARBITRATION OF EXISTING CONTRACTS

Part (6) is a direct copy of the provision included in the Cotton Textile Code which was approved by the President.

#### 7—UNFAIR METHODS OF COMPETITION

To accomplish the purpose contemplated by this Act, the members signatory to this Code agree that the following practices are hereby declared to be unfair methods of competition.

(a) To sell any product(s) or service(s) below the reasonable cost of such product(s) or service(s).

For this purpose, cost is defined as the cost of direct labor plus the cost of materials plus an adequate amount for overhead including an amount for the use of any plant facilities employed as determined by cost accounting methods recognized in the Industry and approved by the Committee constituted for the enforcement of this Code as provided in Section 8 (a).

(b) To give or accept rebates, refunds, allowances, unearned discounts, or special services directly or indirectly in connection with any work performed or to receipt bills for insurance work until payment is made.

Enforcement of paragraph (a) will be difficult. Industry, however, feels that it would have an influence in promoting better accounting methods and will result in an improved competitive situation throughout the industry.

Paragraph (b) of this section was not objected to by anyone at the hearing.

#### 8—ADMINISTRATION

This section is along the lines of the provisions of the Cotton Textile Code. No objection was raised to these provisions in the hearing.

Respectfully submitted.

HUGH S. JOHNSON,  
*Administrator.*

## CODE OF FAIR COMPETITION AND TRADE PRACTICE FOR THE SHIPBUILDING AND SHIPREPAIRING INDUSTRY IN THE UNITED STATES

To effectuate the policy of Title I of the National Industrial Recovery Act, the following provisions are established as a Code of Fair Competition for the Shipbuilding and Shiprepairing Industry.

### 1—DEFINITION OF TERMS

The terms "shipbuilder" and "shiprepairer", when used in this Code, includes a person, partnership, or corporation engaged in the business of building, fabricating, repairing, reconstructing, remodeling, and assembling oceangoing, harbor and inland water-way vessels, and floating marine equipment of every type above ten tons, including the building within their plants of machinery, equipment, and other ship's parts.

### 2—GENERAL REGULATIONS

The shipbuilders and shiprepairers will comply with the following specific provisions of the National Industrial Recovery Act:

(a) That employees shall have the right to organize and bargain collectively through representatives of their own choosing, and shall be free from the interference, restraint, or coercion of employers of labor or their agents, in the designation of such representatives or in self-organization or in other concerted activities for the purpose of collective bargaining or other mutual aid or protection.

(b) That no employee and no one seeking employment shall be required as a condition of employment to join any company union or to refrain from joining, organizing, or assisting a labor organization of his own choosing; and

(c) That employers shall comply with the maximum hours of labor, minimum rates of pay, and other conditions of employment, approved or prescribed by the President.

### 3—REGULATIONS OF HOURS OF WORK

(a) *Merchant Shipbuilding and Shiprepairing.*—No employee on an hour rate may work in excess of an average of thirty-six (36) hours per week, based upon a six (6) months period; nor more than forty (40) hours during any one week. If any employee on an hourly rate works in excess of eight (8) hours in any one day, the wage paid will be at the rate of not less than one and one half ( $1\frac{1}{2}$ ) times the regular hourly rate, but otherwise according to the prevailing custom in each port, for such time as may be in excess of eight (8) hours.

(b) *Shipbuilding for the United States Government.*—No employee on an hourly rate may work in excess of thirty-two (32) hours per week. If any employee on an hourly rate works in excess of eight (8) hours in any one day, the wage paid will be at the rate of not less than one and one half ( $1\frac{1}{2}$ ) times the regular hourly rate, but other-

wise according to the prevailing custom in each port, for such time as may be in excess of eight (8) hours.

(c) *Exceptions*.—For a period of six (6) months exception may be made in the number of hours of employment for the employees of the Shipbuilders engaged in designing, engineering and in mold loft and order departments and such others as are necessary for the preparation of plans and ordering of materials to start work on new ship construction, but in no event shall the number of hours worked be in excess of forty-eight (48) hours per week, and in no case or class of cases not approved by the Planning and Fair Practice Committee provided for in Section (8).

#### 4—MINIMUM WAGE RATES

(a) The minimum pay for labor, except apprentices, learners, casual and incidental labor, shall be at the rate of forty-five (45) cents per hour in the North and thirty-five (35) cents per hour in the South.

(1) Apprentices and learners shall not be paid less than the minimum wage after two (2) years of employment.

(2) Casual and incidental labor to be paid not less than eighty (80) percent of the minimum wage, the total number of such casual and incidental employees in any calendar month not to exceed eight (8) percent of the total number of skilled and semiskilled employees during the same period.

(b) The amount of differences existing prior to July 1, 1933, between the wage rates paid various classes of employees receiving more than the established minimum wage shall not be decreased. In no event shall any employer pay an employee a wage rate which will yield a less wage for a work week of thirty-six (36) hours than such employee was receiving for the same class of work for a forty (40) hour week prior to July 1, 1933. It is understood that there shall be no difference between hourly wage rates on commercial work and on naval work, for the same class of labor, in the same establishment.

#### 5—PROHIBITION OF CHILD LABOR

On and after the effective date of this Code, employers shall not employ any minor under the age of sixteen (16) years.

#### 6—ARBITRATION OF EXISTING CONTRACTS

Where the costs to the contractor of executing contracts entered into in the ship-building and ship-repairing industry prior to the presentation to Congress of the National Industrial Recovery Act or the adoption of this Code are increased by the application of the provisions of that Act or this Code, it is equitable and promotive of the purposes of the Act that appropriate adjustments of such contracts to reflect such increased costs be arrived at by arbitral proceedings or otherwise and the applicants for this Code constitute themselves a Committee to assist in effecting such adjustments.

#### 7—UNFAIR METHODS OF COMPETITION

To accomplish the purpose contemplated by this Act, the members signatory to this Code agree that the following practices are hereby declared to be unfair methods of competition.

(a) To sell any product(s) or service(s) below the reasonable cost of such product(s) or service(s).

(1) For this purpose, cost is defined as the cost of direct labor plus the cost of materials plus an adequate amount of overhead, including an amount for the use of any plant facilities employed as determined by cost accounting methods recognized in the industry (and approved by the Committee constituted for the enforcement of this Code as provided in Section 8 (a)).

(b) To give or accept rebates, refunds, allowances, unearned discounts, or special services directly or indirectly in connection with any work performed or to receipt bills for insurance work until payment is made.

## 8—ADMINISTRATION

(a) To effectuate further the policies of the Act, a Shipbuilding and Shiprepairing Industry Committee is hereby designated to cooperate with the Administrator as a Planning and Fair Practice agency for the shipbuilding and shiprepairing industry. This Committee shall consist of five representatives of the shipbuilders and shiprepairers elected by a fair method of selection, to be approved by the Administrator and three members without vote appointed by the President of the United States. Such agency may from time to time present to the Administrator recommendations based on conditions in their industry as they may develop from time to time which will tend to effectuate the operation of the provisions of this Code and the policy of the National Industrial Recovery Act.

(b) Such agency is also set up to cooperate with the Administrator in making investigations as to the functioning and observance of any provisions of this Code, at its own instance or on complaint by any person affected, and to report the same to the Administrator.

(c) This Code and all the provisions thereof are expressly made subject to the right of the President, in accordance with the provision of Clause 10 (b) of the National Industrial Recovery Act, from time to time to cancel or modify any order, approval, license, rule, or regulation issued under Title I of said Act, and specifically to the right of the President to cancel or modify his approval of this Code or any conditions imposed by him upon his approval thereof.

(d) Such of the provisions of this Code as are not required to be included therein by the National Industrial Recovery Act may, with the approval of the President, be modified or eliminated as changes in the circumstances or experience may indicate. It is contemplated that from time to time supplementary provisions to this Code or additional codes will be submitted for the approval of the President to prevent unfair competition in price and other unfair and destructive competitive practices and to effectuate the other purposes and policies of Title I of the National Industrial Recovery Act consistent with the provisions thereof.

(e) This Code shall become effective not later than ten (10) days after its approval by the President.

H. GERRISH SMITH,  
*President, National Council of American Shipbuilders.*

JOSEPH HAGG, Jr.,  
*New York & New Jersey Dry Dock Assn.*

JAMES E. BARNES,  
*615 Southern Building, Washington, D.C.*

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